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C O N F I D E N T I A L SECTION 01 OF 04 BAGHDAD 001352

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E.O. 12958: DECL: 04/19/2017

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SUBJECT: FUEL TANKERS FROM BAYJI REFINERY TO SULAIMANIYAH,  
IRAQI KURDISTAN

REF: BAGHDAD 882

Classified By: RRT Leader James Yellin, reasons 1.4 (b) and (d).

This is a Regional Reconstruction Team (RRT) Cable.

11. (C) SUMMARY: The three main issues facing tanker companies charged with delivering refined fuel from Bayji refinery in Salah al-Din Province to Sulaimaniyah Province are: the number of authorized tankers, security and corruption. The number of scheduled tankers is authorized by the Ministry of Oil (MoO) and it falls below what local officials negotiated with the Fourth Division of the Iraqi Army (Fourth IA). Sulaimaniyah Province experienced success in the first week of April regarding tanker deliveries. It has reached the MoO fuel delivery goal (70.72 percent). Aligning black market and official fuel prices would reduce the incentive for corruption. END SUMMARY.

12. (C) RRT Off traveled to Sulaimaniyah on April 8 to meet with Zana Jamal Khader, Chief Executive Officer and owner of Meersoma Company. Meersoma is the trucking firm contracted by Sulaimaniyah Province to pick up refined fuel from Bayji refinery and deliver it to the province. Also attending the meeting was Colonel Fuead Ahmed, City Manager for Asayish (internal security) who supervises the fuel delivery and distribution in Sulaimaniyah Province. This telegram summarizes the discussion RRT Off had on the challenges the local tanker company faces during a scheduled trip to Sulaimaniyah Province from Bayji for the first week in April as well as comments by the Governor of Sulaimaniyah to RRT Off on April 1 and 2 and information gathered during a site visit to Bayji Oil Refinery April 18-19.

#### ALLOCATION OF TANKERS FOR SULAIMANIYAH PROVINCE

13. (C) By way of background, the number of tankers allocated to Sulaimaniyah Province is determined by the Ministry of Oil (MoO) and the Oil Products Distribution Company in Baghdad (reftel). Each week, the Regional Distribution Chief in Bayji, Samir Abbas Mohammed, informs the provinces of their tanker allocation. Zana Mohamed Salih is the District Manager for Sulaimaniyah Province and is responsible for organizing deliveries of fuel from Bayji to Sulaimaniyah.

14. (C) Zana Jamal Khader noted that each week he picks up the tanker allocation information from the office of the Governor of Sulaimaniyah. The allocation is also sent to Mohammed Zebari in Dohuk Province. Zebari is Director General of Northern Oil Distribution Company covering the Iraqi Kurdistan provinces, Mosul and Kirkuk. During the first week in April, the daily allocations for Sulaimaniyah were:

-- Diesel, 14  
-- Kerosene, 10  
-- TOTAL: 40 tankers

¶5. (C) The Fourth Iraqi Army Division (Fourth IA) had on record the following proposed daily allocations for Sulaimaniyah Province:

-- Gasoline, 48  
-- Diesel, 42  
-- Kerosene, 30  
-- TOTAL: 110 tankers

¶6. (C) Khader emphasized he aims to send to Bayji refinery the maximum number of tankers authorized by the MoO. Sometimes Khader will not send tankers if he believes they will be burned by insurgents or saboteurs. In mid-March Khader claims two trucks were burned between check-points Toolbaj and Gayarrah, Salah al-din Province. He confirmed an investigation into the incident is currently being conducted. If more tankers are sent to the refinery which exceeds the MoO level, Khader stated, they will be turned away. He confirmed that in agreement with the Governor of Sulaimaniyah, Meersoma sent additional tankers beyond the MoO level on April 3, for example, and they were refused access.

¶7. (C) Note: Provincial governors are expected to negotiate with the MoO over the number of authorized tankers. Currently, the authorized number of tankers by MoO is below the number of proposed tankers by the Fourth IA. This leads to arguments that tankers are missing and the province is not getting its fair share of the fuel allocation. The Governor of Sulaimaniyah appears favorable to increasing the number of tankers to reflect the Fourth IA proposal but has taken no

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steps to push the demand through and appears to have little influence over the situation due to lack of will or power. The lines of coordination and authority between the Governor, MoO, and Fourth IA over this question are at times unclear and subject to change. End Note.

¶8. (C) Zana Jamal Khader stated the following number of tankers from Meersoma arrived at the Bayji refinery and fueled up:

-- March 31, total of 33 tankers  
-- April 3, total of 46 tankers  
-- April 6, total of 64 tankers

¶9. (C) Note: It is unclear why these numbers can exceed the MoO number of authorized tankers for Sulaimaniyah Province. It is likely that tankers arrive early or late for their pick-up date. The Bayji schedule is for provincial tankers to arrive every two days but there are delays en route and at the refinery which likely disrupts the loading intervals. Also, MoO reserves the right to change the number of authorized tankers on any given day.

#### THE ROUTE TO SULAIMANIYAH

¶10. (C) K explained there are two principal routes to travel from Bayji refinery to Sulaimaniyah Province. The first is to go west from Bayji, then north to Mosul district and Gayarrah. After Gayarrah, the route changes to the east to Makhmur, Ninewa Province. (A shorter route eastward could be earlier than Makhmu, through Al-Hawiga, but it is not advised for security purposes.) After Makhmur, the trucks arrive at the juncture of route 80 and the city of Dibaga where they head south to Kirkuk and finally eastward to Sulaimaniyah on route four. This route is currently used by Meersoma and is approximately 380 km long.

¶11. (C) The alternative route is to go south to Tikrit, then up north through Kirkuk, and finally eastward toward Sulaimaniyah. This route is approximately 115 km long.

¶12. (C) According to Khader, the Forth IA stated the above route was not approved for use due to security problems. Khader notes that for his company the threat level appears comparable regarding both routes

¶13. (C) Note: In a meeting with RRT Off on April 1 and 2, the Governor of Sulaimaniyah expressed his preference to have tankers go directly from Bayji to Sulaimaniyah without stopping in Kirkuk but this was reportedly refused by MoO. End note.

¶14. (C) Colonel Fuead told RRT Off that the advantage of the longer route is that tankers do not appear to be going toward Sulaimaniyah ) which he believes would incite insurgent and saboteurs who are motivated by hatred for President Jalal Talabani and his native Kurdistan region.

¶15. (C) Khader told RRT Off that the Fourth IA said the longer route is safer, although Khader contends the threat level is no different. (Note: A longer route means increased income for the trucking company. They are paid based on a formula set by the Oil Distribution Company which is tons times kilometers traveled times 60 dinars.)

¶16. (C) On April 14, Khader told RRT Off that he was discussing with General Anwar and Colonel Worja a damaged bridge east of Bayji on the Tigres River. The bridge is on a road connecting Bayji to Kirkuk (Bayji - Al-Alam Riyadh ) Kirkuk). If the bridge could be repaired or replaced, the route from Bayji to Sulaimaniyah or Erbil would be significantly reduced. Khader said he was searching for sources of assistance to pursue the project.

#### THE CHECK POINTS

¶17. (C) From Bayji to the Iraqi Kurdistan region border, there are six check points. Khader provided the following information on the check-points:

¶18. (C) Mahkhoul. This check-point is 28 kilometers north of Bayji in Salah al-din Province. No security or corruption issues to report.

¶19. (C) Shirqat (Shirgat). Drivers must offload one barrel (220 liters) to the check-point agents. Approximately once a month tankers are deviating from the main road of the check point, often at night. There are reports tankers are burned here, drivers are intimidated and forced to leave the tanker and are kidnapped. The officer in charge is Captain Khatab

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(13TH Battalion, Second Brigade, and Fourth IA). Captain Khatab will be replaced by Captain Mohamed, Lieutenant Mohammed and First Lieutenant Saeed.

¶21. (C) Toolbaj (Tull Baq). The tanker drivers find the team assigned to this check-point to be cooperative. The check-point is controlled by the competent Battalion of Colonel Radif Lafi, IA Fourth Division, according to Khader.

¶22. (C) Hadhar (Hatra), Ninewa Province. No security or corruption issues to report.

¶23. (C) Gayarrah. No security or corruption issues to report. At this juncture, the Fourth IA ceases to provide security. The Meersoma engages its private security company to escort the convoy.

¶24. (C) Asoja (Awsaja). One kilometer from Gayarrah, Tameem Province. The check-point is run by a special forces unit of the police referred to as Economic Security. The team is led by Major Dara out of Mosul. Dara is believed to be the cousin of Mohammed Zebari, Director of the Northern Oil Distribution Company of the Oil Products Distribution Company. The team of Major Dara forces tanker drivers to

offload four to six barrels each time they pass through. Drivers must also pay a 25 dollar special tax. Any resistance by the drivers leads to intimidation and even violence. One Meersoma driver was hospitalized last week for failing to comply with check-point demands. (Note: Drivers told RRT Off at Bayji refinery that the check-point agents at Asoja process the tankers in large groups instead of allowing them to pass individually or in limited convoys. This results in prolonged delays. End Note) Given the problems of Asoja and the proximity of the check-point to Gayarrah, Khader recommends this check-point should be eliminated.

¶25. (C) Note: The Governor of Sulaimaniyah told RRT in a meeting on April 2 that he believes Mr. Zebari is a partner in the Bazian Company. Bazian and Meersoma are competitors for the contract providing fuel tankers for Sulaimaniyah Province. Each company says it is privately owned. We have no further details. End note.

#### BOTTLENECK AT KIRKUK CHECK-POINT

¶26. (C) Kirkuk. K noted it is difficult to pass through the Kirkuk check-point because of General Anwar who is in charge there. Before allowing the tankers to go through, Khader said General Anwar requires an e-mail noting the arrival, truck number, tag number, driver name and final destination. Bayji refinery is responsible for sending the e-mail. Without an e-mail and sometimes even with prior e-mail notification, Khader stressed the tankers experience a 48 hour delay at the Kirkuk check-point. Anwar reportedly allows tankers to leave in intervals which cause a disruption in the distribution cycle, K said.

¶27. (C) Khader told RRT Off that he tried to resolve the problems at Kirkuk check-point directly with General Anwar who told him Meersoma should be better organized. Khader believes Anwar is motivated by political interests to delay tanker passage. Anwar is a member of the Kurdistan Democratic Party (KDP) whereas the owner of Meersoma Company belongs to the Kurdish Patriotic Union Party (PUK). K also mentioned his problem with Anwar to Zana Mahmmmed Salen, District Manager of Sulaimaniyah (referred to as mayor). Salen reportedly raised this with Lieutenant General Abdul Aziz Al-Mufti, the Commander of the Fourth IA but K said delays continue. (Note: Although not yet official, Aziz Al-Mufti has been relieved of his position.)

#### ARRIVAL TO SULAIMANIYAH

¶28. (C) From the Kirkuk check-point onward, the Iraqi Kurdish military force (Peshmerga) is responsible for security of the convoy. K said the tankers arrive to Sulaimaniyah city where they unload the oil at the small and old Central Gas Station. The odometer there is outdated and imprecise, he added. Note that Sulaimaniyah Province has been relatively successful in the first week of April regarding tanker deliveries in that it has reached its MoO authorized fuel delivery goal (70.72 percent). This is in part due to successful efforts by the refinery at storing and shipping heavy fuel oil which allows for increased production.

#### ALLEGATIONS OF MIXING FUEL

¶29. (C) The Governor of Sulaimaniyah told RRT Off on April 1 and 19 that when his province must purchase official gasoline

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from Kirkuk, it is found to be of low quality once it arrives to Sulaimaniyah. He suspects someone is removing quality gasoline en route and substituting it for lower quality additives. The Governor said local drivers are complaining of the effect the gasoline from Kirkuk has on the vehicles. When questioned by RRT Off, Khader discounts allegations that fuel is being tampered with intentionally. (Note: Saad Khalat, Production Manager, Bayji refinery, told RRT Off the

gasoline from Bayji and Kirkuk are comparable in octane levels: 82 for Bayji, 85 for Kirkuk.

COMMENTS:

¶31. (C) There are three main issues regarding tanker deliveries of refined fuel from Bayji to Sulaimaniyah: scheduled tanker allocation, security, and corruption. The number of scheduled tankers authorized to obtain fuel from Bayji refinery is determined by the MoO although there appears to be some flexibility to increase those figures in light of the number of proposed tankers set by the Fourth IA. The ability to adjust the number of scheduled tankers seems to be dependent on the relationship and ability to coordinate among the MoO, the Governor and the Fourth IA. The nature of this relationship in the Sulaimaniyah case is unclear.

¶32. (C) The security issues tanker drivers face are real, sometimes politically driven, and often related to the management and personalities at the check-points. Having the convoy escorted by Fourth IA from Bayji until Kirkuk where the Iraqi Kurdistan Peshmerga forces can assume the responsibility, may alleviate some of the threat.

¶33. (C) The security issue is inextricably linked to corruption practices. In an effort to gain financially, check-point agents exploit their access to a profitable product which is in high and constant demand. Aligning black market and official fuel prices would reduce the incentive corruption.

¶34. (C) Nevertheless, the black market is diminishing due to the fall in prices of private authorized fuel relative to the black market prices. During the first week of April, one liter of private station benzene costs 750 Iraqi dinars or 0.57 USD. In the first week of April, on the black market, one liter of benzene fetched 0.61 USD. In January, black market benzene was approximately 1.50 USD per liter. Official benzene in Sulaimaniyah Province is sold for 0.20 USD.

¶35. (C) Lower benzene prices likely result from increases in supply following provincial regulation introduced in January 2007 that allows the importation of foreign fuel but of which the impact has only recently been felt. Consumers are willing to pay slightly higher prices for benzene from private sector gas stations in return for better quality (higher octane). Benzene prices also dropped because of reduced demand by households who now benefit from generators running on diesel.

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